

LONGVIEW SCHOOL DISTRICT No. 122
Cowlitz County, Washington
September 1, 1992 Through August 31, 1993

Schedule Of Federal Findings

1. The District Should Comply With Federal Cost Principles For The Chapter 1 Program

The State Superintendent of Public Instruction (SPI) passes through to the district federal funds for Chapter 1 of ESEA (CFDA 84.010). Accordingly, the district must follow federal guidelines in expenditure of these funds. Those guidelines also define the Chapter 1 program as a major program at this district. The district inappropriately allocated some payroll costs to the Chapter 1 program.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, Attachment A, Basic Guidelines, 2. Allocable Costs, states in part:

- a. A cost is allocable to a particular cost objective to the extent of benefits received by such objective.

The district's time and effort records did not support the allocation of payroll costs to the program. The error occurred because these charges were based on estimates and not adjusted to actual time and effort records. Because the district both over allocated and under allocated payroll costs, the net effect is that no costs were claimed in excess of actual time spent for the benefit of the program.

We recommend the district carefully review payroll charges to federal programs to ensure they do not exceed actual allowable costs in compliance with the federal requirements.